

AD-A245 057



NAVAL POSTGRADUATE SCHOOL

2

Monterey, California

DTIC
ELECTE
JAN 29 1992
S D



THESIS

TURBULENCE AND CHANGE IN DEPARTMENT SPENDING
PATTERNS CASE STUDY:
DEPARTMENT OF AGRICULTURE

by

Kenneth S. Mitchell

June 1991

Thesis Advisor:

Jerry L. McCaffery

Approved for public release; distribution is unlimited

92 1 29 002

92-02319



REPORT DOCUMENTATION PAGE			
1a. REPORT SECURITY CLASSIFICATION Unclassified		1b. RESTRICTIVE MARKINGS	
2a. SECURITY CLASSIFICATION AUTHORITY		3. DISTRIBUTION/AVAILABILITY OF REPORT Approved for public release; distribution is unlimited.	
2b. DECLASSIFICATION/DOWNGRADING SCHEDULE			
4. PERFORMING ORGANIZATION REPORT NUMBER(S)		5. MONITORING ORGANIZATION REPORT NUMBER(S)	
6a. NAME OF PERFORMING ORGANIZATION Naval Postgraduate School	6b. OFFICE SYMBOL (If applicable) 54	7a. NAME OF MONITORING ORGANIZATION Naval Postgraduate School	
6c. ADDRESS (City, State, and ZIP Code) Monterey, CA 93943-5000		7b. ADDRESS (City, State, and ZIP Code) Monterey, CA 93943-5000	
8a. NAME OF FUNDING/SPONSORING ORGANIZATION	8b. OFFICE SYMBOL (If applicable)	9. PROCUREMENT INSTRUMENT IDENTIFICATION NUMBER	
8c. ADDRESS (City, State, and ZIP Code)		10. SOURCE OF FUNDING NUMBERS	
		Program Element No.	Project No.
		Task No.	Work Unit Accession Number
11. TITLE (Include Security Classification) TURBULENCE AND CHANGE IN DEPARTMENT SPENDING PATTERNS CASE STUDY: DEPARTMENT OF AGRICULTURE			
12. PERSONAL AUTHOR(S) Mitchell, Kenneth S.			
13a. TYPE OF REPORT Master's Thesis	13b. TIME COVERED From To	14. DATE OF REPORT (year, month, day) 1991 June	15. PAGE COUNT 49
16. SUPPLEMENTARY NOTATION The views expressed in this thesis are those of the author and do not reflect the official policy or position of the Department of Defense or the U.S. Government.			
17. COSATI CODES		18. SUBJECT TERMS (continue on reverse if necessary and identify by block number)	
FIELD	GROUP	SUBGROUP	
		Budget, DOA, DOD, OMB, Congressional, O&M,N Budgeting Roles and Strategies, PPBS, Planning, Programming and Budgeting, DON	
19. ABSTRACT (continue on reverse if necessary and identify by block number)			
<p>This thesis examines the relationship between agency assertiveness and moderation of budget requests within the Department of Agriculture. It covers the budgetary roles and strategies used in the DOA, Office of Management and Budget, and Congressional appropriation committees. The database used was supplied by the DOA and contains agency initial budget requests and appropriation data from 1980 to 1990.</p> <p>The analysis compares agency budget request increments to the actual increments appropriated, as a percentage of a common base. The study found that during periods of fiscal restraint the most assertive agencies were the most successful. However, with the support of clientele groups and legislative branch members, agencies requesting moderate increases as well as decreases experienced significant growth in their funding levels and reversal of budget cuts made earlier.</p>			
20. DISTRIBUTION/AVAILABILITY OF ABSTRACT		21. ABSTRACT SECURITY CLASSIFICATION	
<input checked="" type="checkbox"/> UNCLASSIFIED/UNLIMITED <input type="checkbox"/> SAME AS REPORT <input type="checkbox"/> DTIC USERS		Unclassified	
22a. NAME OF RESPONSIBLE INDIVIDUAL Jerry L. McCaffery		22b. TELEPHONE (Include Area code) (408) 646-2554	22c. OFFICE SYMBOL AS/Mm

Approved for public release; distribution is unlimited.

Turbulence and Change In Department Spending Patterns
Case Study: Department of Agriculture

by

Kenneth S. Mitchell
Lieutenant, United States Navy
B.S., Prairie View A&M University, 1982

Submitted in partial fulfillment
of the requirements for the degree of

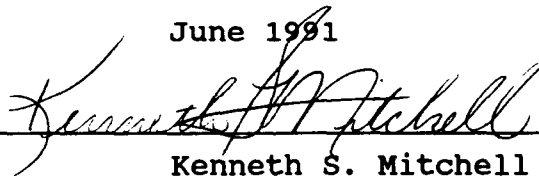
MASTER OF SCIENCE IN MANAGEMENT

from the

NAVAL POSTGRADUATE SCHOOL

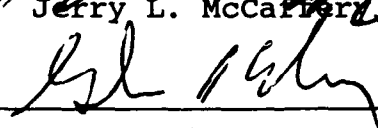
June 1991

Author:


Kenneth S. Mitchell

Approved by:


Jerry L. McCaffery, Thesis Advisor


Glen Eberling, CDR, USN, Second Reader


David R. Whipple, Chairman
Department of Administrative Sciences

ABSTRACT

This thesis examines the relationship between agency assertiveness and moderation of budget requests within the Department of Agriculture. It covers the budgetary roles and strategies used in the DOA, Office of Management and Budget, and Congressional appropriation committees. The database used was supplied by the DOA and contains agency initial budget requests and appropriation data from 1980 to 1990.

The analysis compares agency budget request increments to the actual increments appropriated, as a percentage of a common base. The study found that during periods of fiscal restraint the most assertive agencies were the most successful. However, with the support of clientele groups and legislative branch members, agencies requesting moderate increases as well as decreases experienced significant growth in their funding levels and restoral of budget cuts made earlier.



Accession For	
NTIS CR&I	J
DEPT. TAB	1
Unpublished	1
Justification	
By	
Distribution	
Availability	
Dist	Availability
A-1	General

TABLE OF CONTENTS

I.	INTRODUCTION.....	1
	A. STATEMENT OF PURPOSE.....	1
	B. BUDGET TRENDS IN THE 1980's.....	2
II.	BACKGROUND.....	7
	A. ROLES, STRATEGIES, AND TRADITIONAL BUDGETING.....	7
	B. INCREMENTALISM.....	9
	C. EQUATIONS FOR AGENCY DECISION RULES.....	10
	D. EQUATIONS FOR CONGRESSIONAL DECISION RULES.....	12
	E. TRADITIONAL BUDGETING.....	15
	F. LELOUP/MORELAND STUDY ON BUDGETING IN THE DOA.....	18
III.	DATABASE AND STUDY.....	22
	A. THE DATABASE.....	22
	B. DATA ANALYSIS.....	22
	1. Agency Aggressive/Assertive Behavior.....	22
	a. Agencies.....	31
	b. Departments.....	31
	c. OMB.....	32
	d. Congress.....	32
	2. Assertive Budgeting In The Department Of Defense.....	32
	3. Sticky Expenditures.....	34
IV.	CONCLUSIONS.....	39

LIST OF REFERENCES.....	41
INITIAL DISTRIBUTION LIST.....	42

I. INTRODUCTION

A. STATEMENT OF PURPOSE

This thesis examines the relationship between agency assertiveness and moderation of budget requests within the Department of Agriculture (DOA) for fiscal years 1980-1990. The actual behavior, role, and strategies of individual agencies, departments and the Office of Management and Budget (OMB) is also explored. The relationship between DOA agencies and their budget reviewers will be examined to assess what impact, if any, they have on an agency's request.

The thesis poses two related arguments: 1) agencies that are assertive in their requests -- within a certain range -- will experience budget growth even during periods of fiscal restraint; and 2) with the support of clientele groups and legislative branch members, agencies requesting moderate increases as well as decreases, will also experience budget growth and the restoral of budget cuts during contraction periods.

There are many political and socioeconomic variables that determine the degree of budget success for the DOA. This thesis hypothesizes that growth in agency budgets is not only related to the degree of assertiveness but also to the support and confidence agencies have managed to develop among government officials.

The study begins with the work that Lance T. LeLoup and William B. Moreland conducted utilizing DOA data between 1946 and

1971. The study compares budget request increments to the actual increments appropriated, as a percentage of a common base. This thesis is not intended to explain or predict an annual level of DOA expenditures, but rather an annual increment. Success is measured not in terms of what percentage of the budget request is appropriated, but in terms of what percentage increment is appropriated over the base.

Using data supplied by the DOA from 1977 to 1990 the strategies, and roles used by the agencies, department, OMB, and Congress were examined. The data is analyzed to identify consistent patterns of behavior in the strategies and roles of the reviewing authorities (Department, OMB, and Congress). Although past budget data is available for fiscal years 1977 to 1979 the study will focus on the period from 1980 to 1990.

After analyzing the data supplied by the DOA, an attempt to explain agency assertiveness within the DOA is made by answering the following questions: What patterns appear in the DOA budget requests over the decade of the 1980's? How do these findings compare to the Department of Navy (DON), Organization and Maintenance, Navy (O&M,N) pattern? And finally, are there differences between programs in the DOA?

B. BUDGET TRENDS IN THE 1980's

Overall, the 1980's have witnessed a sharp reduction in the rate of growth of Federal spending. Real outlays in 1990 are expected to be 26 percent above their 1980 level; through 1988, the

cumulative growth rate has also been 26 percent. This is a much smaller increase than in any previous decade since the 1920s, when the Budget Act of 1920 established the Bureau of the Budget and the modern budgeting process. Before then, the role of the Federal Government and its budgeting system were so different that meaningful comparisons are not possible.[Ref.1]

Because of the slowdown in the rate of growth of federal budgets, outlays will account for a slightly smaller share of GNP in 1990 than they did in 1980; 21.0 percent vs 22.1 percent. This will be the first decline over a full decade since the 1920s.[Ref.1]

It is worth emphasizing that the 1980s have seen slower growth and restructuring of Federal Government spending, but not an actual reduction in expenditures. Even after adjusting for inflation, the level of federal spending will be higher in 1990 than it was in 1980.

An increasingly popular classification system for Federal outlays is the division into national defense, discretionary programs, and entitlements and other mandatory programs. During this decade, outlays for these broad budget categories have shifted in very different ways.

- Defense spending has been increased above the levels of the late 1970s, but still constitutes a smaller share of the budget and of GNP than at anytime during the 1950s and 1960s; note figure 1.1.
- Domestic discretionary programs have been cut back in real

terms; however, not all discretionary programs have been scaled back. Important priorities have been maintained and expanded.

- Entitlements and other mandatory programs have continued to grow in real terms, albeit more slowly than in the past, and now constitute about the same share as they did 15 years ago.

Figures 1.1 and 1.2 show graphical comparisons of the programs within the DOA that were analyzed in this thesis and Department of Defense (DOD) annual budget authority and the percent change in budget authority from 1977 to 1990.

Overall, the DOA has experienced a decline in budget authority throughout the 1980s as shown in Fig. 1.1. However, Fig. 1.2 shows a different pattern. The percent change in DOA budget authority shows a significant amount of turbulent change whereas the DOD tends to change in smooth increments/decrements.

Chapter II provides additional background on budget strategies and roles of budget participants. Chapter III presents the data and the study conducted to make comparisons of various budgeting behaviors. Chapter IV concludes the thesis with an assessment of the various roles and strategies used in the DOA budgeting process.

Annual Department Budget Authority

(1977-1990)

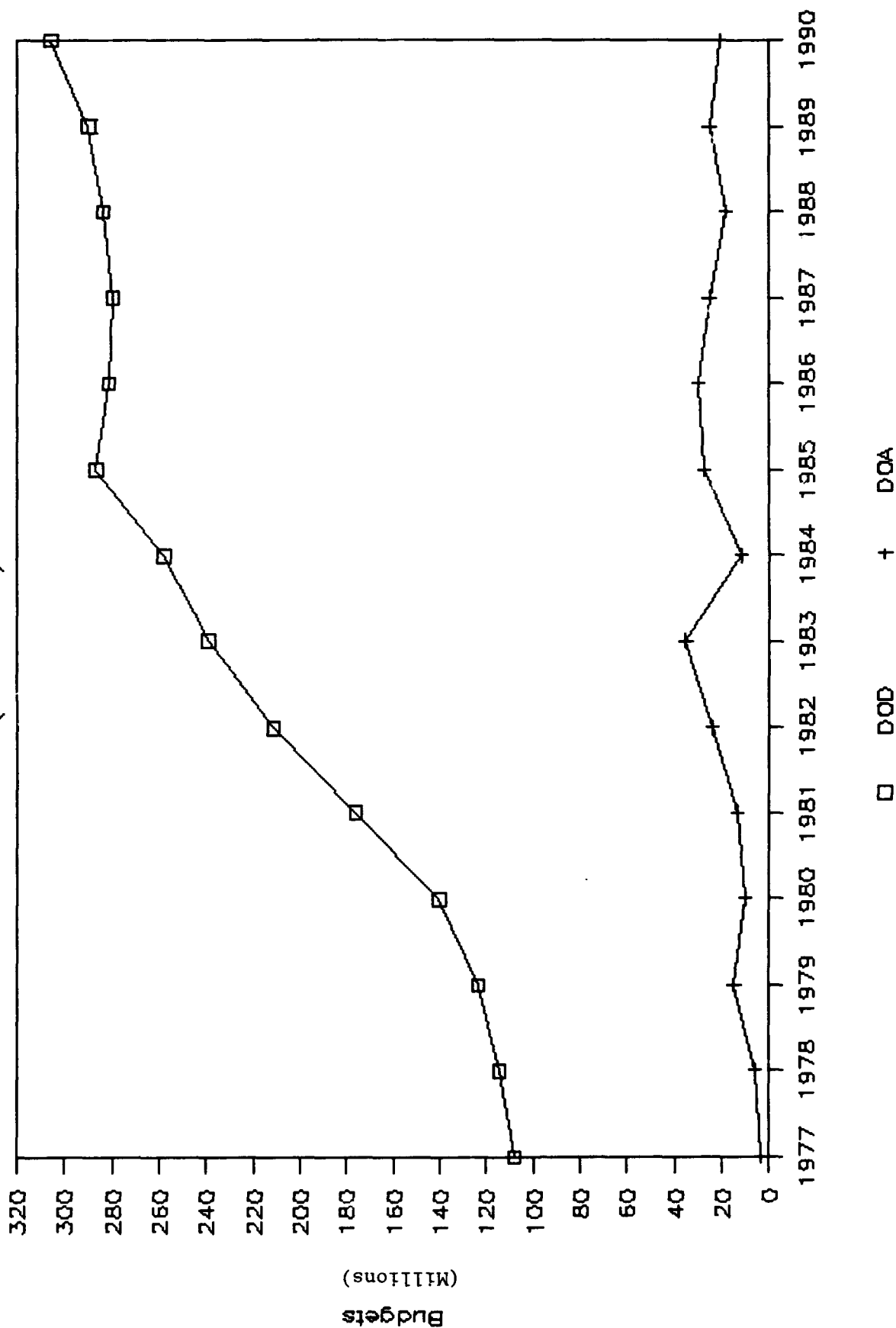


Figure 1.1

Percentage Change In Department

Budget Authority 1977-1990

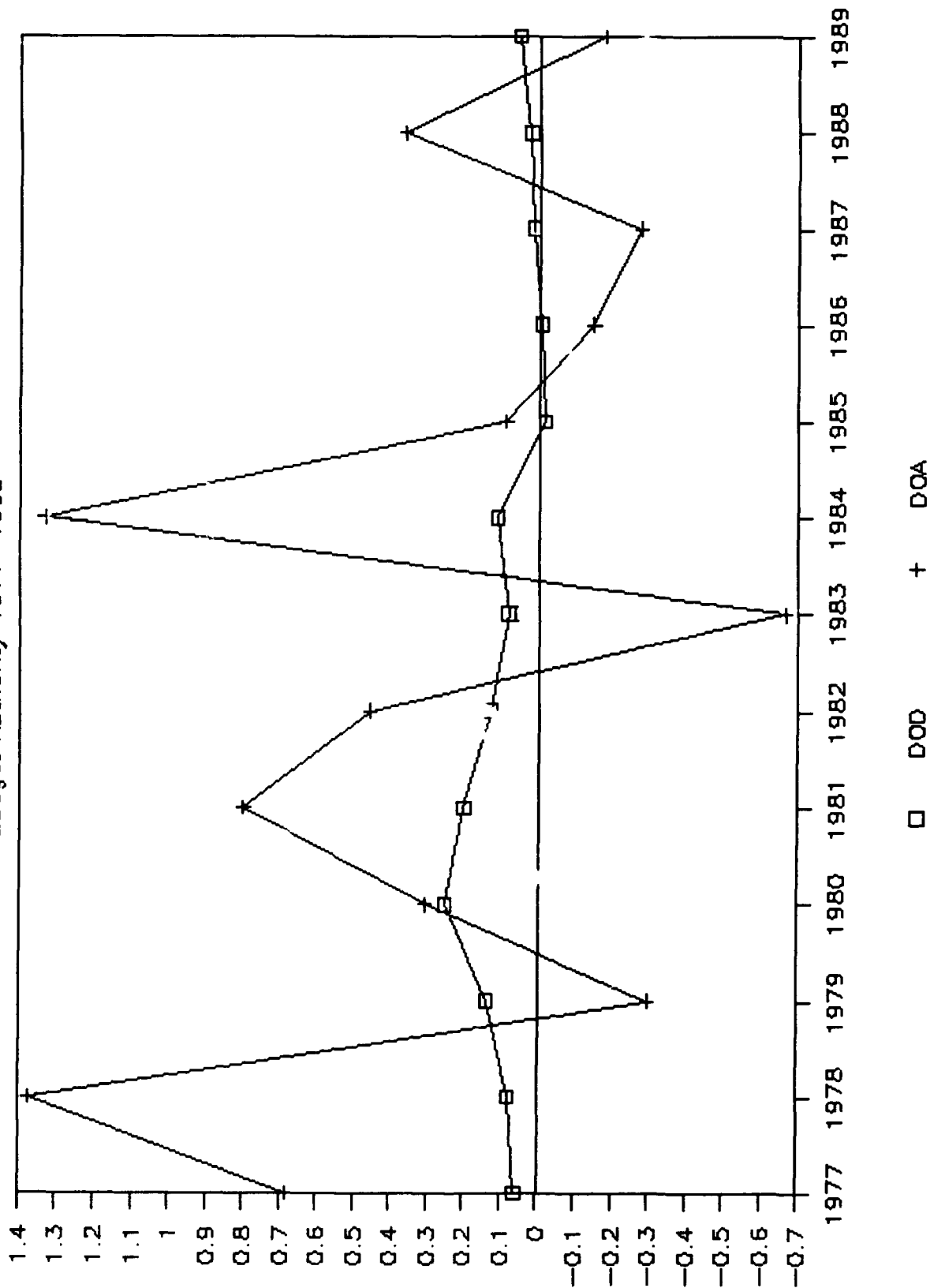


Figure 1.2

II. BACKGROUND

In this chapter the traditional budget pattern is described. Much of this pattern is owed to the work of Aaron Wildavsky for his picture of how administrators arrive at a composite estimate of how much to ask for and how the guardians, Department, Office of Management and Budget (OMB) and Congress review budgets. Although this portrayal dates from the early 1950's and 1960's, it is still true today for discretionary accounts in budget systems. This chapter describes Wildavsky's picture of the incremental budget process.

A. ROLES, STRATEGIES, AND TRADITIONAL BUDGETING

Wildavsky's seminal work in agency budget strategies confirmed the close relationships between agency, clientele, and legislative committees. Success in the budget game is not based on how good budget estimates are but how good a politician the administrator can be. "Being a good politician . . . requires essentially three things: cultivation of an active clientele, the development of confidence among other government officials, and skill in following strategies that exploit one's opportunities" [Ref.2:p.8].

For the most part agency cultivation of a clientele is no problem. Agencies are adept at serving those who are in a position to help them. Doing so allows them to focus more on critical

programs with all else being secondary or automatic. Agencies strive to organize clientele groups in every facet of the budgetary process, priming them to engage in approved projects [Ref. 3:p.102]. Using informal relationships with legislators, agencies can "plant" favorable questions, or they can comply with request for information from hostile participants by deluging them with paper. Sympathetic participants can be given information that will help the agency [Ref.4:p.9]. In order to secure substantial funds from Congress for domestic purposes, it is necessary to develop fairly wide interest in the program [Ref.3:p.102].

In the uncertain atmosphere of the budgeting process, the participants find it beneficial to trust one another. Wildavsky views this as a key element for agencies because they perceive that other participants in the process can hurt them if the agencies prove untrustworthy. Gaining the confidence of others depends on informal contact between agency personnel and legislative committee members and staff. Informal contact, especially with members of the legislature, furthers agency success and strengthens the relationships [Ref.4:p.8].

Agency administrators play the role of advocate for their programs and are vitally concerned with the programs they can develop, operate, and expand [Ref.4:p.9]. There is a related reason for the agency advocacy role. Thomas Anton suggests that administrators seek larger budgets every year. Asking for even more than the administrator expects to receive shows that the administrators are aggressive and competent. By asking for more

than they expect to receive, agency administrators allow central budget officers to play their role of cutting agency requests and deciding how much to recommend [Ref.5:p.9].

One of the toughest problems facing agencies today is how much should they request from OMB and Congress? Their strategy is to ask for an increase, but a modest increase. They expect to be cut back and take this into account in their calculations, keeping in mind too large a request might result in severe cutbacks. OMB is expected to cut, partly because of its interest in the President's program, and partly because it believes that agencies are likely to "pad". Congress, through the appropriations committees and subcommittees, makes incremental cuts in agency requests because it expects the agencies to request more than they need. [Ref.6:p.62].

B. INCREMENTALISM

Budgeting is incremental, not comprehensive. The beginning of wisdom about an agency budget is that it is almost never actively reviewed as a whole every year in the sense of reconsidering the value of all existing programs as compared to all possible alternatives. Instead, it is based on last year's budget with special attention given to a narrow range of increases or decreases. [Ref.7:p.62]

Incrementalism explains the strategies and behavior of participants as well as the observed patterns of budgetary stability. The incremental process of mutual adjustment is built around the reinforcing roles and expectations of the participants as agencies attempt to establish a base and then gradually expand it [Ref.6:p.62].

Incrementalism suggests that the dominant agency decision rule

in calculating its budget request is to take a fixed percentage increase of the previous year's appropriation. The dominant congressional decision rule in voting appropriations is to make a fixed percentage cut in the agency's final request [Ref.6:p.63]. These two simple calculations summarize the process and the results of incrementalism: the "striking regularities of the budgetary process" that are indicative of the stable decision rules employed by the participants [Ref.8:p.529]. This according to Wildavsky is responsible for the stability examined in the appropriation process [Ref.3:p.86].

C. EQUATIONS FOR AGENCY DECISION RULES

This section will present three models developed by Davis, Dempster, and Wildavsky to describe how agencies prepared their budget request [Ref.8:p.33]. The first will calculate agency requests as a function of the previous year's appropriation. The second calculates requests as a function of the previous appropriation as well as a function of the differences between the agency request and appropriation in the previous year. The third calculates the request as a function of the previous year's request. Agencies usually request a percentage (greater than 100 per cent) of the previous year's appropriation. However the percentage is not fixed: in the event of favorable circumstances, the request is a larger percentage of the previous year's appropriation than would be otherwise; similarly, the percentage might be reduced in the event of unfavorable circumstances.

An agency's budget request is represented by taking the sum of the average percentages of the previous year's appropriation plus the increment or decrement due to the favorable or unfavorable circumstances. Thus

$$x_t = \beta_0 y_{t-1} + \xi_t \quad (2-1)$$

x_t = budget request of agency

β_0 = slope of budget request line

y_{t-1} = previous year's appropriation

ξ_t = random variable (increment or decrement)

is an equation representing this type of behavior.

An agency may wish to smooth out its stream of appropriations by taking into account the difference between its request and appropriation for the previous year. If an unusually large cut took place in the previous year's request, then the agency can submit a "padded" estimate to make up for the loss in expected funds; an unusual increase is followed by a reduced estimate to avoid unspent appropriations. This behavior may be represented by an equation or decision rule where

$$x_t = \beta_1 y_{t-1} + \beta_2 (y_{t-1} - x_{t-1}) + \xi_t \quad (2-2)$$

ξ_t is a stochastic disturbance, which plays the role described for the random variable in equation 2-1. β_1 represents the mean percentage of the previous year's request, and β_2 represents the

mean percentage of the difference between the previous year's appropriation and request ($y_{t-1} + x_{t-1}$).

Finally, an agency, convinced of the worth of its programs, may decide to make request without regard to previous congressional action. This strategy appeals especially when Congress has a great deal of confidence in the agency that it tends to give an appropriation which is almost identical to the request. Aside from special circumstances represented by stochastic disturbances, the agency's request in any given year tends to be approximately a fixed percentage of its request for the previous year. This behavior may be represented by

$$x_t = \beta_3 x_{t-1} + \xi_t \quad (2-3)$$

where ξ_t is a stochastic disturbance and β_3 is the average percentage.

Although there are other models that could represent the actual behavior of the combined budgeting decisions, these three equations, according to Davis, Dempster, and Wildavsky represent the agency-OMB budgeting behavior better than all other models analyzed.

D. EQUATIONS FOR CONGRESSIONAL DECISION RULES

Congress uses various strategies in determining appropriations for different agencies. Davis, Dempster, and Wildavsky have also developed three equations to show congressional behavior. The

first model calculates congressional appropriations as a function of the agency's request (through OMB) to Congress. The second calculates appropriations as a function of the deviation from the usual relationship between Congress and the agency in the previous year. The third model calculates appropriations as a function of that segment of the agency's request which is not part of its appropriation or request for the previous year. Again random variables are included to take account of special circumstances.

If Congress believes that an agency's request, after passing through the hands of the OMB, is a relatively stable index of funds needed by the agency to carry out its programs, Congress responds by appropriating a relatively fixed percentage of the agency's request. This behavior may be represented by

$$Y_t = \gamma_0 X_t + \eta_t \quad (2-4)$$

where γ_0 represents the fixed percentage and η_t represents the stochastic disturbance.

Although Congress usually grants an agency a fixed percentage of its request, this request sometimes represents an extension of the agency's programs above (or below) the size desired by Congress. Its possible this can occur when the agency and the OMB follow presidential aims that differ from those of Congress, or when Congress suspects the agency of "padding" the current year's request. In such a situation Congress usually appropriates a sum different from the usual percentage. If γ represents the mean of

the usual percentages, then this behavior can be represented by the equation

$$Y_t = \gamma_t X_t + \xi_t$$

where ξ is a stochastic disturbance representing that part of the appropriations attributable to the special circumstances that cause Congress to deviate from a relatively fixed percentage. Therefore, when agency aims and congressional desires differ markedly (so that Congress may be said to depart from its usual rule), the stochastic disturbance takes on an unusually large positive or negative value. In order to distinguish this situation from the previous one, more must be specified about the stochastic disturbance ξ_t . In a year following one in which agency aims and congressional desires markedly differed, the agency will make a request closer to congressional desires, or Congress will shift its desires closer to those of the agency (or the president), or both will occur. In the year after a deviation, the assumption is that Congress will make allowances to normalize the situation. This behavior can be represented by an equation where η_t is a random variable and the symbol γ_t stands for the stochastic disturbance in the previous year (γ_{t-1}) as well as the new stochastic disturbance for the year involved. Thus

$$Y_t = \gamma_t x_t + \gamma_t \xi_{t-1} + \eta_t \quad (2-5)$$

Finally, if Congress knows the decision rule of a given agency, provided it is represented by one of the equations discussed above, then it can take into account the padding or gaming behavior of the agency. Thus

$$Y_t = \gamma_3 x_t + \gamma_4 \lambda_t + \eta_t \quad (2-6)$$

is the third congressional rule, where λ_t is a dummy variable which in year t represents:

ξ_t	if Equation 2-1 obtains,
$\beta_2(Y_{t-1} - x_{t-1}) + \xi_t$	if Equation 2-2 obtains,
ξ_t	if Equation 2-3 obtains

depending upon which of the decision equations above represents the agency behavior.

E. TRADITIONAL BUDGETING

Traditional budgeting has been changing through the gradual acceptance of reforms rather than dramatic breakthroughs. Many aspects of traditional budgeting have survived because of the complexity and uncertainty of the budgetary process. Agencies decide how much to ask for, OMB decides how much to recommend, and the legislative appropriations committees have the final say on how much to give. Often these participants agree on ways to simplify the process to make it manageable. [Ref.7:p.6]

Wildavsky has suggested two concepts-base and fair share- that have enabled participants to handle budgeting in the real world:

The base is the general expectation among the participants that programs will be carried on at close to the going level of expenditures but it does not necessarily include all activities. Having a project included in the agency's base thus means establishing the expectation that the expenditure will continue, that it is accepted as part of what will be done, and, therefore, that it will not normally be subjected to intensive scrutiny. [Ref.7:p.17]

The base represents those programs that participants agree are legitimate and should not be questioned, except when times are tough. The base may be defined as the "current estimate (existing spending level of an agency), or next year's anticipated cost of maintaining programs at current levels of service (particularly important in inflationary times) [Ref.3:p.83].

Budget participants expect their programs to be maintained close to the current funding levels. This expectation was evaluated using a linear model developed by James N. Danziger. "Operationalizing the base as the proportion of total expenditure allocated to Service_i, this model assumes that the change pattern will maintain an allocation as a constant percentage of total expenditure" [Ref.9:p.133]. To use this model, last year's budget proportion is multiplied by the current year's budget to predict a claimant's funding level.

$$\text{Base Allo}_t = \beta(\text{Base Allo}_{t-1}) + \alpha \quad (2-7)$$

Base Allo_t = this year's percent budget share

β = slope of the line

Base $Allo_{t-1}$ = last year's percent budget share

α = random variable

Fair share on the other hand differs from the base. According to Wildavsky, "Fair share means not only the base an agency has established but also the expectation that it will receive some proportion of funds, if any, which are to be increased over or decreased below the base of the various governmental agencies" [Ref.7:p.7]. All the participants (agencies, departments, OMB, and the appropriation committees) in the budgetary process agree that budgeting should be incremental; that is, changes in agency budgets should be relatively small and in proportion to overall budget changes.

To determine if budget participants retain a fair share of the overall budget, another model developed by Danziger is used. "This model (fair share) is based on a constant percentage of change in total expenditures" [Ref.9:p.133]. It will predict this year's change in budget allocation by multiplying the agency's previous proportion of the budget by the total change in expenditures.

$$\Delta Allo_t Agency_i = B(Allo_{t-1} \Delta TE) + \alpha \quad (2-8)$$

$\Delta Allo_t Agency_i$ = change in the agency's budget level

B = slope of the budget line

$Allo_{t-1}$ = last year's budget proportion

ΔTE = change in total expenditures

F. LELOUP/MORELAND STUDY ON BUDGETING IN THE DOA

There are several models used by governmental reviewing authorities in accessing all the determinants involved in cutting budgets. A study of the budgets submitted by agencies within the Department of Agriculture, from 1946 through 1971 and the subsequent changes made by the department head, OMB, and Congress was undertaken by Lance T. LeLoup and William B. Moreland.

Their conclusions showed significant variations in the budgets submitted and a wide range of strategies used by the agencies within the DOA. Incrementalism posited the existence of a dominant agency strategy of "moderation"; asking for an increase, but not too large an increase as well as a budget cutting guardianship role for the reviewing bodies [Ref.10:p.180]. Viewed as a whole their study suggest that budgets change in moderate increments and are more stable than the component stages.

They agreed that assertive or aggressive action on behalf of the agency was a prerequisite to budget expansion. Assertive or aggressive action was defined as the tendency for agencies to pursue an active strategy of expansion in their programs and funding [Ref.10:p.182]. In their study on the (DOA) aggressiveness was defined as a requested increase of ten percent or more over the previous year's budget.

They found that agencies requesting moderate increases wound up with a lesser share than those asking for large increases. It was conceivable that those asking for large increases averaged an overall increase in their appropriations. However, the larger the

increase requested the more it was cut, but the proportion of cuts are not made in direct relation to the requested increase or decrease. Tables 2-1 and 2-2, indicate the results of their research.

They found that OMB, in its consistent across the board cuts is the main obstacle to budget expansion. The department(DOA) made cuts in the most assertive categories but minimized cuts in cases where agencies requested a decrease. However, the department made small incremental increases in the 10-25 per cent category whereas OMB eliminated nearly all of the requested increases in this category. Clearly the role of the department is one of "balancing the extremes". The role of OMB, seems to be that of reducing an agency's request. Even more significant is the finding that moderation in request confers no advantages in terms of support from OMB [Ref.10:p.186]. Those who asked for a decrease were also cut by OMB.

Compared to the department and OMB, the overall changes made by Congress were small. Large requests were cut more severely but resulted in greater absolute growth. Severe cuts made by OMB in agencies requesting a decrease were restored by Congress [Ref.9:p.189]. The greater absolute growth seen in the most assertive categories is attributed to the actions by those agencies who sought wide support throughout Congress.

In conclusion, LeLoup and Moreland suggest that the "normal" strategy of moderation posited by the incremental theorist is more myth than reality. The strategy of moderation may be desirable for

TABLE 2-1
CHANGES IN AGENCY REQUEST MADE BY REVIEWING BODIES

relative assertiveness

Change in Agency Request from Previous Budget	# of Cases	Avg % Change by Dept	Avg % Change by OMB	Budget Result	
				Avg % Change by Congress	Avg % Change in Agency Approp
Req Decr	60	25.5%	- 6.5%	2.4%	-21.0%
Req Incr 0-9.9%	99	- 2.0%	- 3.0%	- 0.3%	0%
10-24.9%	121	1.3%	- 8.0%	- 0.5%	1.3%
25-49.9%	103	-13.0%	-11.0%	- 0.7%	4.6%
50-99.9%	79	-16.5%	-14.4%	- 1.3%	17.0%
Greater than 100%	36	-20.2%	-16.2%	-10.5%	130.0%
Avg for Agencies	498	- 4.0%	- 9.0%	- 2.0%	11.0%

TABLE 2-2
REQUEST PATTERNS BY CATEGORIES OF ASSERTIVENESS

Agency Assertiveness Categories	Average Agency Increase Requested		Average Department Increase Requested		Average OMB Increase Requested		Average Growth	N
Decrease	-19.4%	>	-14.9%	>	-22.3%	>	-21.1%	(60)
0-9.9%	5.0%	>	3.5%	>	0.3%	>	- .02%	(99)
10-25%	16.1%	>	17.5%	>	1.9%	>	1.3%	(121)
25-50%	36.2%	>	18.9%	>	6.0%	>	4.6%	(103)
50-100%	68.0%	>	40.2%	>	18.9%	>	17.0%	(79)
Over 100%	290.0%	>	115.0%	>	71.0%	>	130.0%	(36)
								(498)

[Ref. 10: pp. 185-186]

agencies seeking certainty, stability, and high support for their initial request, but it will not lead to agency growth and may in fact lead to agency decline. To obtain substantial, "nonincremental" increases in programs and budgets, an agency must attain a position of political strength (with support inside and outside government) to justify a large increase. "Don't come in too high" is poor advice for an agency wishing to receive more money; "come in as high as you can justify" would appear to be better advice based on the results of this study [Ref.10:p.191].

In the next chapter we turn to a study of current patterns in DOA to see how those patterns hold up.

III. DATABASE AND STUDY

A. THE DATABASE

The data in this thesis was provided by the DOA. Data for the agency, department, OMB requests and final congressional action taken on DOA agencies from 1980-1990 is used in this analysis. This includes 220 cases of request-appropriation data for the 20 agencies examined. The agencies in the DOA are not necessarily typical of all federal agencies and the findings in this analysis are not necessarily generalizable for all agencies. The data contains the initial budget requests prepared by the agencies and the changes made by the reviewing bodies (department, OMB, and congressional appropriation committees).

B. DATA ANALYSIS

To assess the real patterns of budgeting within the DOA I will focus on the incremental assertions concerning the dominant strategy of moderation. Figure 3.1 identifies the DOA agencies analyzed in this study. Table 3-1 shows the amounts of the agency's budgets. This study analyzes:

1. What patterns of aggressive/assertive behavior appear in the DOA budget requests over the decade of the 1980's?
2. How does the DOA budgeting trends of the 80's compare with the Navy O&MN trends?
3. Are there differences between programs in the DOA?

1. Agency Aggressive/Assertive Behavior

Mentioned earlier, assertiveness is defined as the tendency for an agency to pursue an active strategy leading to

expansion and growth in its programs and level of funding. Assertiveness is determined by the amount of increase in this year's budget request over the prior year budget. By examining the agencies requested budgets for the fiscal years 1980-1990, and comparing the amount of each to the prior years budget, the requested budget increases are measured. The assertiveness of the agencies over this eleven year period can be seen in Table 3-2.

Table 3-2 shows the distribution of the agency request to the department as a percentage change from the previous year's appropriation. Surprisingly, more agencies (35 percent) requested cuts from their budgets than those requesting a moderate increase. 35 percent requested a budget cut. Thirty three percent requested a budget increase between 0 and 9.9 percent and 32 percent requested an increase greater than 10 percent. The LeLoup/Moreland study from 1946-1971 showed 20 percent of the agencies requested a 0-9.9 percent increase and 68 percent sought more than 10 percent. This study was conducted during periods of budget expansion, during which aggressive action was encouraged. However, the current data (1980-1990) conducted during periods of fiscal restraint still show signs of aggressiveness by DOA agencies in their request for funding.

To examine agency assertiveness and legislative branch support more closely as well as the success achieved by the assertive agencies over the eleven year period, the growth or shrinkage of each category of budget request is compared to the actual budgetary level achieved. Table 3-3 displays the results of

Agencies

Agricultural Marketing
Agricultural Research Service
Animal and Plant Health Inspection Service
* Child Nutrition Program
Cooperative State Research Service
Departmental Administration
Extension Service
Federal Grain Inspection Service
* Food Donations/Distribution Program
Food Safety and Inspection Service
* Food Stamp Program
Foreign Agricultural Services
Office of the General Counsel
Office of the Inspector General
Office of the Secretary
Rural Water and Disposal Grant
Soil Conservation
* Special Milk Program
* Supplemental Food Program
World Agricultural Outlook Board

Figure 3.1 DOA Agencies

*Denotes "sticky expenditure" program

TABLE 3-1
TOTAL BUDGET LEVELS BY AGENCIES
(in thousands of dollars)

Agency	FY80	81	82	83	84
1	58,764	55,173	64,435	31,094	30,376
2	415,870	426,089	526,619	544,047	531,110
3	295,159	311,330	344,269	252,491	236,673
4	1,463,751	1,830,923	2,053,990	1,027,322	488,617
5	236,005	214,586	274,427	299,613	293,725
6	27,609	22,641	21,563	16,848	20,378
7	327,616	327,031	376,994	381,293	378,145
8	24,665	27,052	35,306	4,898	6,861
9	87,600	129,450	144,420	171,960	154,136
10	315,469	302,240	342,163	317,027	337,196
11	7,047,250	9,729,870	12,887,150	9,523,092	10,958,252
12	64,909	69,604	78,257	95,996	86,544
13	12,071	12,531	13,748	14,999	14,626
14	37,813	39,858	51,967	53,717	45,049
15	5,181	5,249	5,508	6,157	5,045
16	400,000	500,000	500,000	250,000	160,500
17	958,132	614,550	690,447	749,841	622,683
18	145,000	166,200	124,800	124,800	11,920
19	694,600	924,540	1,110,570	902,200	1,092,600
20	1,062	2,110	1,568	1,741	1,555

TABLE 3-1 con't
TOTAL BUDGET LEVELS BY AGENCIES
(in thousands of dollars)

Agency	FY85	86	87	88	89
1	31,193	30,735	31,073	35,647	33,764
2	528,716	532,760	545,536	596,514	604,164
3	265,263	264,880	337,886	355,708	343,255
4	826,477	656,543	297,246	1,106,999	531,159
5	323,396	361,476	457,689	435,136	547,795
6	22,415	21,349	19,246	23,327	27,929
7	356,039	335,907	389,954	393,003	391,116
8	6,942	7,094	7,000	7,610	8,876
9	53,536	59,931	183,642	195,092	217,943
10	369,669	381,740	380,976	410,458	426,282
11	10,460,926	11,756,074	11,711,915	11,962,550	12,330,705
12	86,727	85,704	87,000	91,375	90,823
13	16,916	17,834	16,891	19,600	23,342
14	46,472	47,092	47,000	52,252	52,514
15	5,788	5,824	5,505	6,465	6,240
16	113,000	125,000	119,000	0	109,395
17	701,501	670,261	621,104	638,437	681,317
18	17,600	11,500	14,094	33,974	34,540
19	1,441,140	1,540,479	1,676,102	1,732,478	1,975,514
20	1,680	1,736	1,823	1,942	2,053

TABLE 3-1 con't
TOTAL BUDGET LEVELS BY AGENCIES
(in thousands of dollars)

Agency	FY90
1	32,242
2	630,990
3	364,166
4	701,240
5	369,250
6	28,773
7	391,769
8	9,153
9	246,510
10	433,543
11	13,364,485
12	99,121
13	22,600
14	54,725
15	6,128
16	75,000
17	692,277
18	20,449
19	2,064,559
20	2,102

TABLE 3-2
AGENCY ASSERTIVENESS: PERCENTAGE INCREASE IN AGENCY REQUEST
TO DOA FROM PREVIOUS YEAR'S APPROPRIATION

Request Increase						
Request Decrease	0% - 4.9%	5% - 9.9%	10% - 14.9%	15% - 19.9%	20% & Above	Total
77	41	32	24	11	35	220

this comparison and the changes in agency request made by the reviewing bodies.

The results of this comparison show that agencies originally requesting an increase in funding of 15-20 percent had an average appropriation growth of only 6.3 percent. Agencies requesting between 10 and 15 percent on average saw their budgets grow by 15.8 percent. The substantial appropriation increases appeared in the most assertive category-- these agencies requested more than 20 percent of their previous appropriation and had an average growth of 37.5 percent. The most assertive category represents 35 cases out of the 220 cases examined and constitute only 16 percent of all agencies included in the study. This category alone received the largest cuts in its budget request, followed by those requesting a 5-9.9 percent increase. Those agencies (33 per cent) requesting a 0-10 percent increase are said to be moderate in their requests, whereas those (32 per cent) requesting greater than 10 per cent were considered to be assertive in their budget request.

Table 3-3 also shows a significant number of decreases were requested by some agencies (35 per cent). When compared to

Percent Increase in Agency Request from Previous Year Appropriation

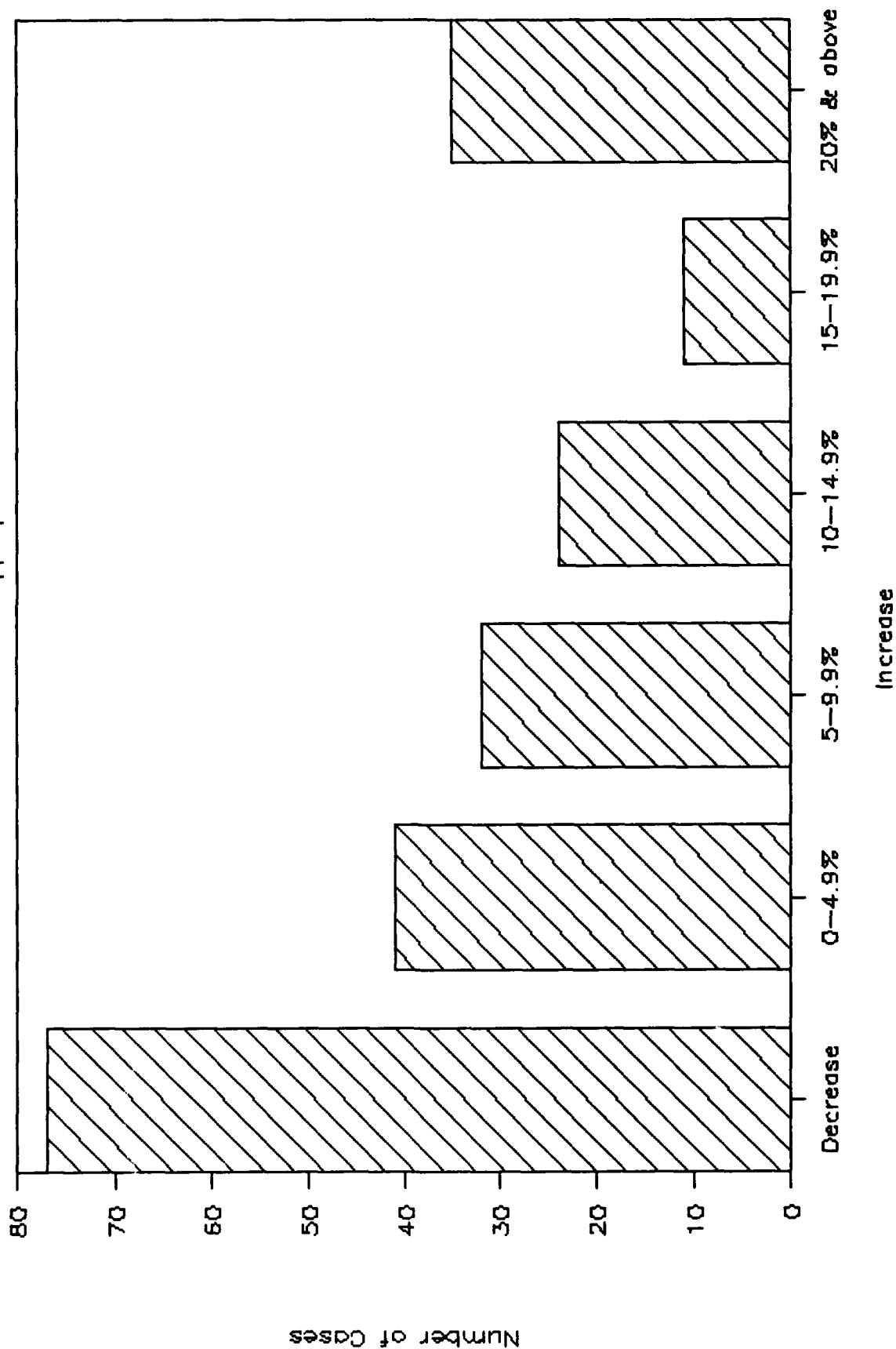


TABLE 3-3
CHANGES IN AGENCY REQUESTS MADE BY REVIEWING BODIES

Change in Agency Request from Previous Budget	Number of Cases	Avg% Change Dept	Avg% Change OMB	Avg% Change Congress	Avg% Change in Agency Approp
Request Decrease	77	-32.4	-63.4	236.9	-10.2
Increase 0-4.9%	41	-15.7	-21.6	8.1	22.2
Increase 5-9 9%	32	-14.2	- 9.4	- 7.5	15.7
Increase 10-14.9%	24	5.6	-11.9	20.9	15.8
Increase 15-19.9%	11	- 5.9	13.6	19.6	6.3
Increase > 20%	35	45.2	14.5	-59.4	37.5

the moderate and assertive categories individually, the number of decreases requested were greater than the number of increases requested in each category. The one area of consistent agreement is that those agencies who request a budget cut, will be cut deeper than requested. Consistent with this agreement and the findings in these 77 cases, these agencies received the most severe cuts by the department and OMB. However, consistent with the results of the previous study, Congress not only restored most of the severe cuts made by OMB, but added tremendous amounts to those agencies requesting a decrease.

Inconsistent with previous studies agencies requesting moderate increases less than 10 percent experienced substantial budget increases slightly greater than the most assertive category in their final appropriation. The previous study (1946-1971) indicated this same category of agencies requesting moderate

increases of less than 10 percent saw their budgets cut below the previous year budget level [Ref.10:p.186]. However, this study parallels the findings of the previous study in that those agencies requesting increases greater than 10 percent received substantial budget increases.

At this point, some general observations on budgetary roles and strategies can be proposed.

a. Agencies

Agencies do not pursue a unitary strategy of moderation in the budgetary process; initial requests vary from severe cuts to significant increases in previous budget levels. Variations in patterns of executive branch support suggest that in some cases, assertive behavior is manifested throughout the process, and agencies attempt to restore cuts made earlier by appeals to Congress [Ref.10:p.188]. Unlike the previous study all categories with exception of the most assertive and those agencies requesting increases between 5 and 9.9 percent received overwhelming support by Congress. This may indicate that a majority of the agencies took an active role in organizing clientele groups and developing confidence among other government officials, particularly legislative committee members and staff.

b. Departments

The Department of Agriculture in its budget cutting role did "balance the extremes" as was done in the previous study. However, its behavior differed from the past in that it acted as surrogate advocate in the most assertive cases and stuck to its

role as budget cutting guardian in the non-assertive cases. The DOA was also consistent in passing along substantial request increases greater than 10 percent.

c. OMB

The Office of Management and Budget did not appear to be the main obstacle to agency budget growth. However, the notion that OMB is characterized by across-the-board cuts did not prove so in this study. Surprisingly, OMB failed to cut requests in the most assertive categories and displayed greater variations in the least assertive categories than the other reviewing bodies (DOA and Congress).

d. Congress

The actions of Congress differed little from those of the previous study. Large requests were cut more severely but resulted in greater absolute growth for the agency. The findings showed a strong willingness on the part of Congress to restore severe cuts in requests made by OMB.

2. Assertive Budgeting in the Department of Defense

Previous research by Lieutenant Jack Housley, United States Navy (1986) on assertive budgeting in the Department of the Navy; Operations and Maintenance, Navy appropriation found that the O&M,N budget changed in smooth increments, but major claimants (agencies) failed to receive changes in proportion to their previous budget share. However, the most assertive claimants came away with the bulk of the increases. It was noted that more

claimants requested a decrease than requested increases greater than ten percent. These findings parallel those I found in my study on the DOA and differs significantly from the LeLoup/Moreland study done on the DOA. In my study 77 agencies requested a decrease and 70 asked for more than ten percent. Surprisingly, both DOA studies indicate that agencies are more assertive in their request for budget increases than the Navy's major claimants.

The reviewing authority of NAVCOMPT in the DON is equivalent to that of the Department in the DOA. Housley found the success achieved by assertive claimants was dependent on NAVCOMPT support and without it their budget request suffered significantly. NAVCOMPT support for the non assertive claimants was found not to be as important, for their initial request turned out to be the strongest determinant of their budget.

His analysis differed with the LeLoup/Moreland study and my analysis in that, NAVCOMPT did not attempt to "balance the extremes". It was more likely to increase the requested budget than decrease it. NAVCOMPT's role focused on the decisions made by Planning, Programming, and Budgeting System (PPBS) and evaluated the claimants requests against those decisions. Whereas in the LeLoup/Moreland study the Department was more concerned with "balancing the extremes". The findings in my analysis agree with those of the LeLoup/Moreland study in that the Department continues to "balance the extremes". Surprisingly, however, it differed in its support of the agencies. It behaved like the budget-cutting guardian in the non assertive cases and acted as "surrogate

advocate" in the most assertive cases.

Both previous studies show that OMB is the main obstacle to budget growth and is very mechanical in its cuts. Interestingly, in my study OMB showed significant support in the most assertive categories. In the least and non-assertive categories, OMB appeared to be mechanical in its cuts.

From these studies one can conclude that the most effective strategy for an agency or claimant is to ask for the largest increase that can be reasonably justified. In addition, support of the public, the President and particularly Congress is essential to justify any large incremental increases in budgets as was found in my study. Budget reviewing bodies are less willing to cut funds if they think that the next reviewer will restore the cuts due to popular or political support for the program. Agencies with popular or political support of this nature find it easy to be assertive in their requests and will likely achieve success in expanding their budgets.

3. Sticky Expenditures

Allen Schick suggest that political constraints on cutting back and the dulling of the tools available to Congress have resulted in "sticky expenditures," claims on the budget that respond only weakly, if at all, to contraction policies. The concept of "stickiness" has been borrowed from economics, where it is used to explain why prices are sometimes slow in adjusting to changing market conditions. "Sticky" is preferred rather than "inflexible" or "rigid" expenditure because the latter adjective

suggest that expenditures do not adjust at all. The evidence is that adjustment does take place, but not as responsively as might occur if expenditure were less "sticky." Sticky expenditures tend to rise even when the government attempts to curtail spending. There are several forms of sticky expenditures, but only one will be analyzed in this study: entitlement mandating payments to eligible persons. [Ref.11:p.124]

To determine if there are real differences in the spending patterns of agencies governed by entitlement: I will compare the incremental assertions of this category to those that are considered non-sticky. The programs that come under this category are listed in Figure 3.1. Most sticky expenditures are controllable, but not through appropriations action alone. To avert the expenditure, the law giving rise to the obligation has to be repealed. This is why narrowing reconciliation, the principal tool for controlling sticky expenditure, has been so damaging to cutback efforts [Ref.11:p.124].

As a result of past decisions on future budgets, sticky expenditures tend to drift upward, even in the absence of new commitments [Ref.11:p.124]. The distribution of agency requests to the Department as a percentage change from the previous year's appropriation is displayed in Table 3-4. Fifty three percent of the agencies requested an increase greater than 10 percent, and 33 percent requested an increase greater than 20 percent from the previous year. When compared to the other (non-sticky) agencies they appear to be more assertive in their budget requests.

TABLE 3-4
STICKY PROGRAMS: PERCENTAGE INCREASE IN AGENCY REQUEST TO DOA
FROM PREVIOUS YEAR'S APPROPRIATION

Request Increase						
Request	0% -	5% -	10% -	15% -	20% &	Total
Decrease	4.9%	9.9%	14.9%	19.9%	Above	
16	6	4	9	2	18	55

Table 3-5 will give a better assessment of agency assertiveness and a more detailed view of the actions of the reviewing bodies.

The actions of the reviewing bodies on those agencies requesting decreases in funding, surprisingly, resembles those found in Table 3-3. Congress restored all the cuts made by the Department and OMB. This indicates these agencies like those in Table 3-3 may have pursued a political strategy in building support in and outside of government and cut programs they knew Congress would ultimately end up restoring. However, its interesting to note that the overall budget decrease in this category was extremely low when compared to those in Table 3-3 and the LeLoup/Moreland study. This suggest Congress is highly reluctant in cutting entitlement programs mandating payments to individuals.

Those agencies requesting moderate increases of less than 5 percent experienced budget cuts of -1.8 percent. The most substantial budget increase occurred with the most assertive category, request greater than 20 percent. There is a difference in the average change in the budget requests of claimants asking for less than 10 percent budget increase when compared to claimants requesting more than a 10 percent budget change.

Sticky Programs: Percent Increase in Agency Request from Previous Year

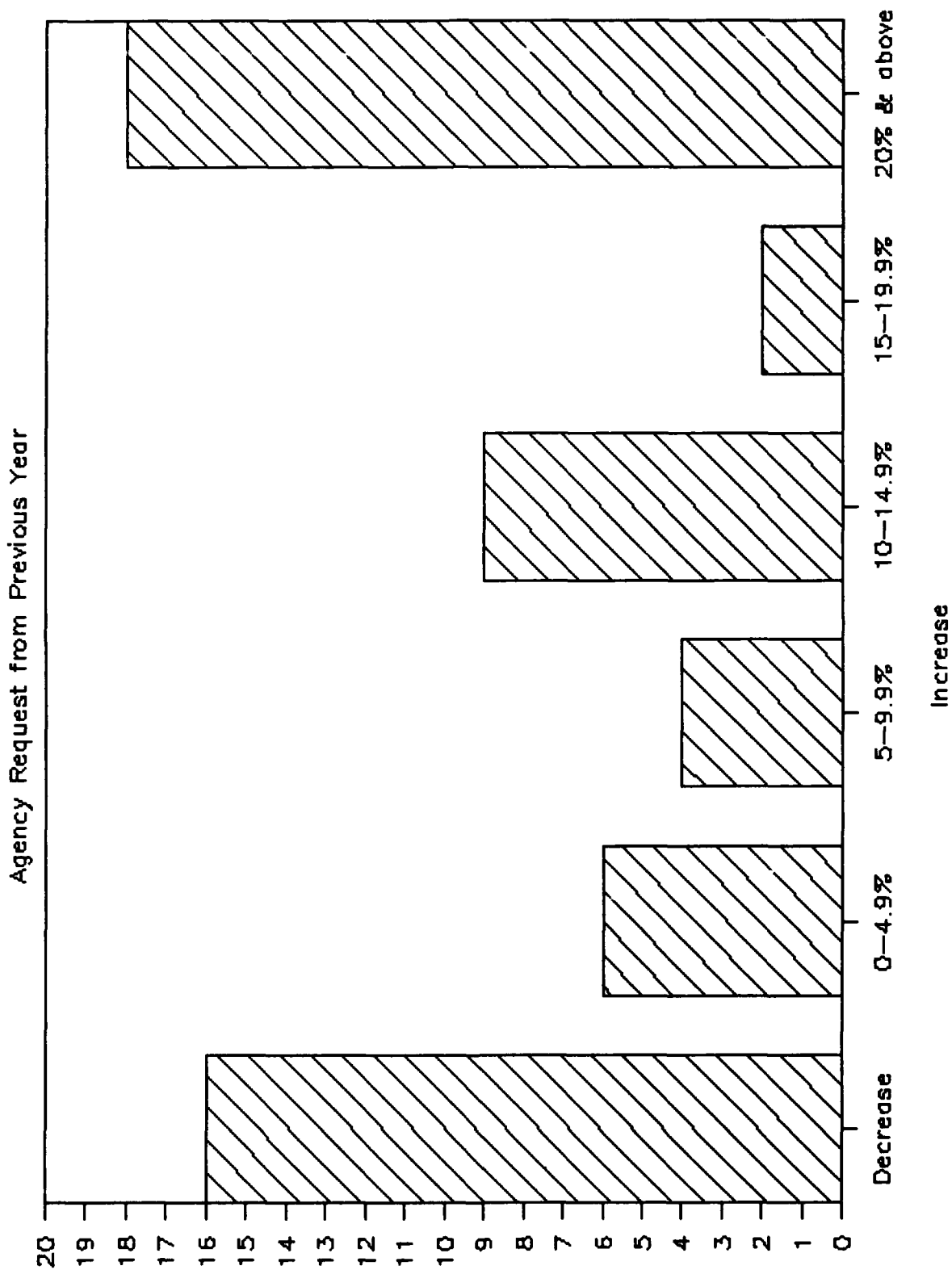


TABLE 3-5
CHANGES IN AGENCY REQUESTS MADE BY REVIEWING BODIES
(Sticky Programs)

Change in Agency Request from Previous Budget	Number of Cases	Avg% Change Dept	Avg% Change OMB	Avg% Change Congress	Avg% Change in Agency Approp
Request Decrease	16	- 5.9	-18.3	146.0	- .8
Increase 0-4.9%	6	- .3	- 7.3	1.1	- 1.8
Increase 5-9.9%	4	.1	- 1.4	- 2.8	10.6
Increase 10-14.9%	9	28.7	1.3	-11.8	7.4
Increase 15-19.9%	2	- 4.0	-27.0	66.0	7.7
Increase > 20%	18	- 5.8	-20.8	-26.3	18.4

Consistent with the study of non-sticky programs and the LeLoup/Moreland study, agencies that requested large increases got the largest share of budget increases.

The Department somehow continued to maintain stability and continuity (balance the extremes) for its sticky programs by cutting the most assertive categories along with those requesting decreases. OMB appeared to be the main obstacle to budget expansion with its across the board cuts in all but one category (10-14.9 percent). Congress showed greater variations than OMB. Where the Department and OMB made cuts Congress restored those cuts and in areas where they recommended increases Congress wound up cutting. However, the most assertive category was cut the most by each of the reviewing bodies but came away with the largest budget increases.

IV. CONCLUSIONS

The purpose of this thesis was to examine the roles and strategies used by agencies within the Department of Agriculture in modifying their budget requests for executive review by the Office of Management and Budget and final submission to Congress. The study covers the period from 1980-1990. The different decision models available to the agencies were highlighted as well as the decision models available to the reviewing bodies (Department, OMB, and Congress). Sticky expenditures were also examined to assess the impact they have on agency requests for funding.

The study found that during periods of fiscal restraint, DOA agencies requesting moderate increases were just as successful as those who were assertive in their requests. The study also shows the strategies used by the agencies, in addition to the incremental and budget base models, were those of organizing active clientele groups and seeking widespread support throughout the legislative branch. This strategy was paramount in the non-assertive and moderate categories and responsible for the restoral of cuts and significant budget growth experienced.

The traditional budgeting theory of incrementalism provides a means for budget participants to agree on ways to simplify the complexity and uncertainty of the budgeting process to make it more manageable. Two concepts --fair share and budget base-- suggested by Wildavsky and Danzinger were described in detail and indicate how participants may handle budgeting in the real world

[Ref.12:p.6]. The incremental and budget base models proved to be very useful and powerful tools in predicting future budgetary outcomes in previous studies. However, Wildavsky cautions against using his model to predict outcomes"... because the budget process is only temporally stable for short periods [Ref.13:p.39]. For example, sticky expenditures tend to drift upward. Much of the updrift is pronounced in transfer payments that have experienced a steady rise in the number of participants on an annual basis. Outlays in the entitlement programs (sticky) examined were driven upward by cost-of-living adjustments as well as inflationary pressures.

Traditional budgeting has been changing through the gradual acceptance of reforms rather than dramatic breakthroughs. Many aspects of traditional budgeting survive because of the complexity and uncertainty of the budgetary process. Having a thorough understanding of all that's involved in the budgetary process, and a firm knowledge of the review process, agencies can better plan and gain approval of their budgets.

LIST OF REFERENCES

1. The Budget of the United States Government, Office of Management and Budget, 1990.
2. Schick, Allen, "Road to PPB: The Stages of Budget Reform," Public Administration Review, December, 1966.
3. Wildavsky, Aaron, The New Politics of the Budgetary Process, Scott, Foresman and Co., 1988.
4. Kramer, Fred A., Contemporary Approaches To Public Budgeting, Winthrop Publishers, Inc., 1979.
5. Anton, Thomas J., "Roles and Symbols in the Determination of State Expenditures," Midwest Journal of Political Science, V. 11, 1967.
6. Golembiewski, Robert T., and Rabin, Jack. Public Budgeting and Finance, 3rd Ed., Marcel Dekker Inc., 1983.
7. Wildavsky, Aaron, The Politics of the Budgetary Process, 2nd Ed., Little, Brown and Co. 1974.
8. Davis, O., Dempster, M., and Wildavsky, A., "A Theory of the Budgetary Process," American Political Science Review, September, 1966.
9. Danzinger, James N., Making Budgets: Public Resource Allocation, Sage Publications, 1978.
10. LeLoup, L.T. and Moreland, W.B., "Agency Strategies and Executive Review: The Hidden Politics of Budgeting," Public Administrative Review, May/June 1978.
11. Schick, Allen, The Capacity to Budget, The Urban Institute Press, 1990.
12. Wildavsky, Aaron, Budgeting: A Comparative Theory of Budgetary Processes, Little, Brown, and Co., 1975.
13. Housley, Jack B., Roles, Strategies, and Program Budgeting within the Operations and Maintenance, Navy Appropriation Account, M.S. Thesis, Naval Postgraduate School, Monterey, California, December 1986.

INITIAL DISTRIBUTION LIST

	No. Copies
1. Defense Technical Information Center Cameron Station Alexandria, Virginia 22304-6145	2
2. Library Code 052 Naval Postgraduate School Monterey, California 93943-5002	2
3. Professor Jerry L. McCaffery, Code AS/Mm Naval Postgraduate School Monterey, California 93943-5000	1
4. Lieutenant Kenneth S. Mitchell, USN 1600 Andrews Drive Wichita Falls, Texas 76301	2